

# TOURISM DEVELOPMENT PROJECT

(BL-0012)

## EXECUTIVE SUMMARY

**Borrower:** GOVERNMENT OF BELIZE

**Executing agency:** MINISTRY OF TOURISM, MINISTRY OF WORKS

<b>Amount and</b>	<b>IDB (OC)</b>	<b>US\$</b>	<b>11,000.000</b>
<b>Source:</b>	<b>Local: Counterpart funding</b>	<b>US\$</b>	<b>3,000.000</b>
	<b>Total:</b>	<b>US\$</b>	<b>14,000.000</b>

<b>Financial terms</b>	<b>Amortization Period:</b>	<b>25 years</b>
<b>And conditions:</b>	<b>Grace Period:</b>	<b>4 years</b>
	<b>Disbursement Period:</b>	<b>4 years</b>
	<b>Interest Rate:</b>	<b>variable</b>
	<b>Supervision and Inspection:</b>	<b>1.00 %</b>
	<b>Credit Fee:</b>	<b>0.75 %</b>
	<b>Currency:</b>	<b>US dollars from the Single Currency Facility</b>

**Objectives:** To increase employment opportunities, foreign exchange earnings and government revenues from tourism in a manner which is environmentally and archaeologically sustainable.

**Description:** The project will develop and conserve major Maya archaeological sites, improve access to key tourist areas by upgrading access roads; contribute to protecting the barriers reef by seeking solutions to water supply and sewage treatment problems on Caye Caulker; stimulate community participation in the provision of tourist related goods and services through micro-enterprise development; and improve the effectiveness of key institutions in the tourism sector through institutional strengthening. The project will generate revenues to cover recurrent costs and foreign exchange impacts will be positive and substantial, see paragraph 4.8 and 4.10.

**Bank's Country Sector:** The approved Country Paper (CP) identifies tourism as priority sector whose development offers the best prospects for diversifying foreign exchange earnings as trade preferences for traditional.

**Strategy:** exports are phase out. The rationales for the Bank's emphasis on tourism is that it attracts private sector investment (foreign and local) for accommodations and facilities; generate foreign exchange; creates income and employment among less skilled workers; and in the specific case of nature and cultural tourism, if generate revenue to help conserve the asset. To carry out the strategy, the project will implement key components of the Tourism Strategy Plan prepare with Bank assistance (TC-96-02-20-03). Consistent with the CP strategy to maximize concessional financing of Bank operations in Belize, MIF funding is proposed for a companion human resource development project and TC Funds for the Caye Caulker component.

**Environmental Social review:** An EIA was prepared and submitted to the Bank's Public Information Center for public comment on December 1, 1999. The EIA concludes that project will have no major

direct negative impacts, and the most serious indirect negative impact, which could occur if economic benefits do not reach the communities, will be mitigated by a community participation component directed at the villages within the Caracol area of influences. Financing of mitigation measures I summarized in paragraph 4.22

**Benefits:** The beneficiaries will be the public and private sector organizations involved in tourism, and communities along the Caracol access road. In the longer run, benefits will accrue in the form of the preservation and protection of the environmental and cultural assets which form the base of the sector.

**Risks:** Risks to project sustainability are associated with slower than projected rates of tourist arrivals and delays in realizing project outputs. World growth trends in eco- and adventure tourism are favorable. Annual variations of visitors to Belize are due to external factors and tend to be short run and corrected by marketing strategies. Risks associated with output delays can be mitigated by careful planning and close Bank monitoring of activities. Environmental risks associated with delays in completing Environmental Management Plans for protected area are manageable.

**Special  
Contractual  
Clauses:**

**1. Conditions to first Disbursement**

The first disbursement of Bank financing shall be subject to the fulfillment, to the satisfaction of the Bank, of the following conditions: (i) the establishment of a Project Execution Unit within the MOT, and the hiring of the Project Director, a Financial Officer and the Archaeology Coordinator =, see paragraph 3.3; (ii) a letter of approval by the Ministry of Budget Management granting the MOT the authority to establish a separate account to collect, retain and utilize entrance fees from archaeological sites earmarked for Project-related activities and to ensure long term Project sustainability; see paragraph 4.11; and (iii) presentation of the Program's Operation Manual, see paragraph 3.1

**2. Conditions to Disbursement for Visitor Facilities**

Disbursement of funds for visitor and staff facilities at Caracol shall be subject, in addition to the conditions indicated in paragraph (1.) above, to submission to the Bank of the final design and sitting plan, including environmental mitigation measures, see paragraph 2.8.

**3. Conditions for Disbursement for the Archaeology Plan**

Disbursement of funds for the archaeology development plan shall be subject, in addition to the conditions indicated in paragraph (1.) above, to presentation to the satisfaction of the Bank, of a duly executed agreement between the MOT and the BTB which includes the terms contained in paragraph 2.10.

**4. Conditions to Disbursement for the Access Road**

Disbursement of funds for the access road shall be subject, in addition to the conditions indicated in paragraph (1.) above, to presentation to the satisfaction of the Bank, of a letter of commitment from the MOW indicating that the access road to Caracol is part of the Ministry's National Road Network and that the MOW assumes the responsibility to maintain the road after completion of the upgrading contemplated under the Project, see paragraph 3.10

**Poverty-targeting  
And social**

**Sector:** This operation does not qualify as a social equity enhancing project, as described in the indicative targets mandated by the Bank;s Eight Replenishment (document AB-1704).

**Recognition of  
Retroactive  
Expenses:**

The Bank may authorize the Borrower to use up to US\$300,000 of the resources of the financing to reimburse expenditures incurred after July 1, 1999 in hiring the project director, the archaeology coordinator and other start-up costs and other expenses directly related to the Project, as long as the Bank;s procurement procedures are followed. Se paragraph 3.17

**Exceptions to  
Bank policy:**

A procurement waiver is requested for direct contracting for archaeological research services, see below.

**Procurement:** As provided in OP-726, the public bidding requirement will be waived for the procurement of archaeological research services from universities currently authorized to work at Maya sites in Belize, see paragraph 3.15